

## Message Text

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ACTION H-03

INFO OCT-01 EUR-08 EA-06 NEA-07 ISO-00 SS-15 NSC-06

AID-01 /047 W

-----071836 200231Z /73

R 200112Z JAN 78

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 2211

INFO AMEMBASSY LONDON

AMEMBASSY NEW DELHI

C O N F I D E N T I A L SECTION 1 OF 2 CANBERRA 0500

PLEASE PASS CODEL WOLFF

E.O. 11652: GDS

TAGS: OVIP (WOLFF, LESTER), PEPR, EGEN, ETRD, ENRG, AS

SUBJECT: CODEL WOLFF: MEETING WITH AUSTRALIAN TRADE OFFICIALS

1. SUMMARY: FOUR MEMBERS OF CONGRESSMAN WOLFF'S DELEGATION ATTENDED A BRIEFING ON JANUARY 11 AT THE DEPARTMENT OF TRADE AND RESOURCES COVERING TRADE AND ECONOMIC ISSUES, AS WELL AS RESOURCES AND ENERGY MATTERS. THE SESSION WAS PRESIDED OVER BY DEPUTY SECRETARY OF TRADE AND RESOURCES PAUL BARRATT. END SUMMARY.

2. BARRATT BEGAN BY NOTING THAT WHILE AUSTRALIA WAS SOMEWHAT MORE HEAVILY DEPENDENT ON TRADE THAN THE UNITED STATES, IT STILL WAS NOT THAT IMPORTANT A FACTOR IN AUSTRALIA'S ECONOMIC LIFE: PERHAPS 15 PERCENT OF AUSTRALIA'S GNP WAS DEPENDENT ON EXTERNAL TRADE VERSUS 5-9 PERCENT FOR THE US. WHILE AUSTRALIA'S EXTERNAL TRADE IS NOT BADLY OUT OF BALANCE, "THE BALANCE ON INVISIBLES IS HEAVILY AGAINST US." AUSTRALIA'S STRENGTH IS THAT IT IS EXTREMELY EFFICIENT IN PRIMARY AGRICULTURAL AND MINERAL PRODUCTION. OF ITS EXPORT TRADE, APPROXIMATELY 40 PERCENT WAS ACCOUNTED FOR BY  
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AGRICULTURAL PRODUCTS, 27 PERCENT BY MINERALS AND METAL EXPORTS, AND 24 PERCENT BY MANUFACTURED GOODS. (INCLUDING ALUMINA)

3. DISCUSSING TARIFFS, BARRATT DEFENDED AUSTRALIA'S RECORD AS ONE OF CONSISTENT SUPPORT FOR EFFORTS TO LIBERALIZE TRADE: "WE ARE ESPECIALLY CONCERNED AT

TARIFF BARRIERS AGAINST OUR AGRICULTURAL EXPORTS." HE NOTED THAT AUSTRALIA SUPPORTED THE SEARCH FOR STABLE PRICES AND COMMODITIES, SAYING AUSTRALIA SOUGHT LONG-TERM CONTRACTS AT STABLE PRICES SOMETIMES AT THE EXPENSE OF FREE MARKET PRINCIPLES: "MARKETS ARE OFTEN DISRUPTIVE, AND WE HAVE FROM TIME TO TIME HAD TO RESORT TO TARIFF MEASURES IN ORDER TO PROTECT OUR OWN ECONOMY."

4. AUSTRALIA'S PRINCIPAL TRADING PROBLEM WITH THE U.S. IS U.S. AGRICULTURAL BARRIERS: BEEF QUOTAS, SUGAR QUOTAS, AND BARRIERS TO AUSTRALIAN EXPORTS OF WOOL. U.S. LAWS, PASSED FOR DOMESTIC EFFECT, HAD A QUITE PROFOUND INFLUENCE UPON AUSTRALIA. AUSTRALIA BELIEVED, FOR EXAMPLE, THAT U.S. TARIFF BARRIERS AGAINST AUSTRALIAN WOOL HAD LED TO PRICING WOOLEN FABRICS OUT OF THE MARKET, WITH CONSEQUENT UNEMPLOYMENT; IF THE U.S. WERE TO LOWER ITS TARIFF BARRIERS, IT MIGHT WELL FIND THAT THE WOOLEN TEXTILE INDUSTRY WOULD BECOME VIABLE AGAIN.

5. ON ENERGY, AUSTRALIA IS "ENERGY RICH". "IN FACT, WE ARE A NET EXPORTER OF ENERGY AND OUR ONLY INTEREST IN URANIUM RESOURCES IS AS AN EXPORT COMMODITY." AUSTRALIA ACCEPTS ITS RESPONSIBILITY AS AN ENERGY-RICH COUNTRY. TO SHARE THAT WEALTH, IT HOPES THAT BY DOING SO IT CAN HELP SUPPORT THE U.S. EFFORT TO STEM THE WORLD DRRVE  
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TOWARD A PLUTONIUM ECONOMY.

6. IN QUESTIONS, CONGRESSMAN MANN NOTED THE EFFECT OF TRADE LIBERALIZATION ON EMPLOYMENT PATERS IN THE U.S. THE AUSTRALIANS ACKNOWLEDGED THAT THEY WERE UNDER CONSIDERABLE PRESSURE FOR TRADE LIBERALIZATION, NOTING THAT THE SECURITY AND ECONOMIC ASSISTANCE THEY HAVE GIVEN THE ASEAN COUNTRIES OVER THE PAST 25 YEARS MAY HAVE BEEN EASIER THAN THE TRADE OPPORTUNITIES ASEAN NOW SEEKS OF AUSTRALIA. CONGRESSMAN MANN ASKED FURTHER HOW AUSTRALIA HAD MANAGED TO ERECT HIGHER TARIFF BARRIERS THAN ANY OTHER MEMBER OF THE GATT, NOTING THAT AUSTRALIA HAD TAKEN REPEATED ADVANTAGE OF ARTICLE 19 OF THE GATT, WHILE THE U.S. INTERNATIONAL TRADE COMMISSION HASN'T RENDERED AN ARTICLE 19 DECISION ON BEHALF OF U.S. INDUSTRY IN OVER TEN YEARS. MANN'S FORTTRIGHT STATEMENT BROUGHT A RATHER SHEEPISH ACKNOWLEDGEMENT FROM THE AUSTRALIANS, WHO RATHER LAMELLY REPLIED THAT IN THE SEVEN ROUNDS OF TARIFF REDUCTIONS SINCE 1947, "NO ONE HAS EVER OFFERED US THE SORT OF TARIFF CUTS ON AGRICULTURAL PRODUCTS THAT WOULD HAVE MADE TARIFF CUTS ON IMPORTS WORTHWHILE TO US." SOMEWHAT DEFENSIVELY, THEY WENT ON TO SAY THAT "HIGH TARIFF

BARRIERS IN AUSTRALIA DO NOT APPEAR TO HAVE LESSENED THE VOLUME OF IMPORTS WHEREAS QUITE MODEST TARIFF BARRIERS IN OTHER COUNTRIES HAVE HAD VERY SUBSTANTIAL EFFECTS ON TRADE." BARRATT ADDED THAT WHILE AUSTRALIA HAS USED ARTICLE 19 RATHER FREQUENTLY, AND THE U.S. HAS NOT, BOTH THE U.S. AND AUSTRALIA HAVE WORKED "WITHIN THE RULES OF THE GAME" WHILE OTHERS HAVE NOT BY ERECTING NON-TARIFF BARRIERS FOR TRADE.

7. BARRATT EMPHASIZED THAT AUSTRALIA WAS A BIT PESSIMISTIC ABOUT THE CURRENT MTN EXERCISE, SAYING "NO ONE APPEARS READY TO MOVE ON PRODUCTS OF IMPORTANCE TO US (IMPLYING, "WHAT'S IN IT FOR AUSTRALIA?").

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AID-01 /047 W  
-----071929 200228Z /73

R 200112Z JAN 78  
FM AMEMBASSY CANBERRA  
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C O N F I D E N T I A L SECTION 2 OF 2 CANBERRA 0500

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8. CONGRESSMAN MYERS NOTED THAT BOTH AUSTRALIA AND THE U.S. PRODUCE SURPLUSES OO BEEF, WOOL, BUTTEER AND SUGAR. INSTEAD OF EXPECTING EACH OTHER TO CONSUME EACH OTHER'S PRODUCTS, WASN'T THERE ANYTHING WE COULD DO ABOUT JOINTLY EXPLOITING ADDITIONAL MARKETS. THE AUSTRALIANS TOOK THAT ABOARD. ONE OF THEM COMMENTED THAT IN SOME AREAS, ALTHOUGH WE WERE OSTENSIBLY TALKING ABOUT THE SAME PRODUCTS, THERE WERE SUBSTANTIAL DIFFERENCES IN PRODUCT CHARACTERISTICS: "FOR EXAMPLE, YOU (THE U.S.) PRODUCE FEED-LOT HOTEL QUALITY MEAT; AUSTRALIA PRODUCES MANUFACTURED BEEF. WE DON'T REALLY COMPETE WITH EACH OTHER THERE. AND ON WOOL, IF THE U.S. HAD LOWER TARIFFS, IT MIGHT FIND THAT IT WAS ABLE TO PRODUCE MORE MANUFACTURED WOOLEN GOODS." BARRATT DROVE HOME THE POINT BY SAYING "TO COME BACK TO TARIFFS, OUR SUCCESS

IN LOWERING TARIFF BARRIERS IS GOING TO BE DIRECTLY DEPENDENT UPON OUR FINDING MARKETS FOR OUR PRODUCTS." CONGRESSMAN DANIELSON AGREED THAT WHAT WE REALLY NEEDED TO DO WAS DEVELOP NEW MARKETS, ADDITIONAL ONES. CONGRESSMAN MANN DREW ATTENTION TO AUSTRALIA'S NON-TARIFF BARRIERS, SUCH AS QUARANTINE REGULATIONS. THE AUSTRALIANS HAD NO DEFENSE. ED PALMER NOTED THAT THE WORST THING

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WE COULD DO WOULD BE TO CREATE LABOR-INNENSIVE INDUSTRIES, SUCH AS TEXTILE AND LIGHT MANUFACTURING INDUSTRIES. HE COMMENTED THAT A GREAT DEAL NEEDED TO BE DONE (AS THE JAPANESE HAVE DONE) BY WAA OF MARKET RESEARCH.

9. THE DISCUSSION ON ENERGY WAS INCONCLUSIVE, WITH THE AUSTRALIANS SIMPLY NOTING THAT ALTHOUGH THEY HAVE A HIGH PER CAPITA ENERGY CONSUMPTION, AUSTRALIA IS SO SMALL IN POPULATION THAT IT LACKS THE ABILITY TO SAVE THE WORLD THROUGH ITS OWN CONSERVATION EFFORTS. AUSTRALIA IS SELF-SUFFICIENT IN NET ENERGY USEAGE, BUT IMPORTS CERTAIN HEAVIER PETROLEUM PRODUCTS, AND HAS A SURPLUS OF NATURAL GAS WHICH IT PLANS TO EXPORT -- PARTICULARLY THAT NEW GAS DISCOVERED ON AUSTRALIA'S NORTH WEST SHELF, 53 PERCENT OF WHICH WILL GO ABROAD IN ORDER TO GENERATE THE CASH FLOWS NEEDED TO SUSTAIN ITS DEVELOPMENT. THERE WAS SOME DISCUSSION ON INTERNATIONAL EFFORTS TOWARDS COOPERATION IN ENERGY MATTERS, BOTH SIDES AGREEING THAT THE HIGHEST POSSIBLE LEVEL OF COOPERATION AND COLLABORATION WOULD BE NEEDED IN THE FUTURE. ALSTON

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## Message Attributes

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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014